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C O N F I D E N T I A L SECTION 01 OF 02 RIGA 000248

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TAGS: [PREL](#) [PGOV](#) [MOPS](#) [ECON](#) [PINR](#) [LG](#)
SUBJECT: SCENESETTER FOR VISIT OF LATVIAN PRESIDENT ZATLERS

REF: A) RIGA 33 B) RIGA 50 C) RIGA 74 D) RIGA 86 E)
RIGA 182

Classified By: Charge' d'affaires Bruce D. Rogers. Reason: 1.4 (d)

¶1. (C/NF) Summary: Latvian President Valdis Zatlers comes to Washington in the wake of the deaths of two Latvian soldiers and the wounding of two others fighting alongside American troops in Afghanistan. Zatlers moved quickly to quash any suggestion that this tragedy become a pretext for a drawdown or withdrawal from Afghanistan. Zatlers' greatest challenge is the massive economic adjustment Latvia is undergoing. A projected 12 percent contraction this year, unemployment at 11 percent and growing, and budget cuts of nearly 40 percent all are signs of the very serious decline of the Latvian economy. Yet, Latvia remains committed to strong trans-Atlantic ties and to staying actively engaged in Afghanistan. Zatlers has been a leading voice in support of maintaining a high level of activity within NATO. At home, he has struggled to find his appropriate role in the midst of the economic crisis, but unlike more timid officials here, he has at least been willing to try. Zatlers is seeking reaffirmation of the value the new administration places on Latvia and its security and our understanding that Latvia's economic crisis limits its ability to pursue an activist foreign policy. U.S. officials should stress our support for the tough choices Latvia is making, as well as our appreciation for Zatlers' role in articulating the need to stay engaged globally. We should note that Latvia's human capital is a resource that can be leveraged when money is short and avoid asking for new commitments Latvia cannot afford. Zatlers will also be very interested to hear about our views on Russia, as well as Georgia and Ukraine, whose NATO aspirations he strongly supports. We should press him on addressing restitution of remaining Jewish communal properties and on continuing to fight against corruption and promote social integration even in these tough times. End summary.

¶2. (U) Zatlers is visiting Washington May 14 - 15, in conjunction with the US-Baltic Foundation's annual dinner. He will also go to Seattle where he will meet with Microsoft and the Gates Foundation. Latvia is in the midst of a very deep economic crisis, which is requiring painful budget cuts to address. Foremost on Zatlers' mind, though, is the deaths of two Latvian soldiers and the wounding of two others in Afghanistan on May 1. These soldiers died in a Taliban attack on their observation post in RC-East, where they were serving in an OMLT with US and Afghan troops. Three Americans and three Afghan soldiers, as well as three Afghan local support staff, were killed in the attack.

¶3. (C/NF) Zatlers' record over the past few months has been mixed (Refs a -c). His mid-January ultimatum to the parliament and government to complete certain tasks or face a dissolution of Parliament definitely motivated recalcitrant parties to do more and got leaders more focused on the seriousness of the crisis and the urgent need for lasting

reforms. Given that elections for local government and European Parliament representatives will take place on June 6, this was a tough task. At the same time his style of working with the parties -- the ultimatum, flip-flops on whether to support then-PM Godmanis, and a style perceived as lecturing rather than persuading -- has created tension. Zatlers has never enjoyed broad popular support and the constitution greatly limits his role, so being able to work with the political parties is essential to his long term success. Nevertheless, our view is that he deserves great credit for engaging on these tough issues and pushing the cabinet and parliament to take the difficult decisions needed to secure Latvia's future.

14. (C/NF) Zatlers has been a leading voice in reaffirming the importance of international engagement in these trying economic times (ref d). Following the May 1 deaths in Afghanistan, some politicians suggested that Latvia should withdraw from the mission. Others suggested that the mission be drawn down so the money could be used elsewhere in the budget. The President engaged immediately and forcefully, both publicly and behind the scenes, to make clear that any withdrawal or reduction would be an irresponsible mistake. What could have been a long and difficult public debate was short circuited when, by the end of the long weekend that followed, all parties in the ruling coalition had reaffirmed their commitment to the mission. Nevertheless, we expect that there will be future calls to save money by reducing the size of the deployment.

15. (C/NF) It is notable that at the first meeting of the new Dombrovskis government in March, Zatlers said that spending

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money on Latvia's NATO and EU obligations was the same as spending money on Latvia and these could not be significantly diminished. While the depth of the economic crisis has necessarily forced reassessment of how active Latvia can be, Latvia remains a committed ally. The foreign and defense ministers repeatedly confirm that Latvia will stay the course in Afghanistan despite economic troubles. That will be Latvia's first priority and the US is supporting this through the participation of several members of the Michigan National Guard in the Latvian led-OMLT in RC-East. Latvia also participates in a Norwegian-led PRT and Latvian troops participate in ISAF without caveat. Non-lethal cargo for Afghanistan is planned to move through Latvia as part of the Northern Distribution Network. TRANSCOM Commander General McNabb's recent visit to Riga reaffirmed the eagerness of the Latvians to help make this route work. Zatlers has regularly offered to use his ties in Central Asia to advance this project if needed. In order to focus on Afghanistan, Latvian troops will be withdrawing from missions in Bosnia and Kosovo later this year, but this has been well coordinated in advance. Latvia's ability to meet its commitment to the Baltic Battalion deployment in NRF-14 may be in question as well. Latvia also remains focused on democracy promotion, especially in Georgia, Moldova and Ukraine, but lacks resources to undertake extensive programs in these countries.

16. (C) Zatlers' main goal on this trip is to demonstrate that despite the economic crisis at home and the change of administration in Washington, the relationship remains solid and a cornerstone of Latvian security, anchored in NATO. Latvian officials are pleased with a perception that President Obama supports contingency planning for defense of Baltics and the President's condolence message on the May 1 deaths was very well received. Zatlers will thank us for our efforts to assist the Baltics with military planning exercises and will seek to have us reaffirm our commitment to NATO and especially Article 5, which took on new meaning for Latvia following the attacks in Georgia last August. He will also seek American understanding for the reduction in international engagement caused by the financial crisis and assurances of continued support for Latvia in the international financial institutions. Russia is never far

from the mind of any Latvian official, and the President will want to hear more about our thinking on relations with Moscow. He has been a strong personal supporter of NATO integration for Georgia and Ukraine - famously telling Putin in Bucharest to stop thinking in old ways - and he will want to know how we plan to proceed on that issue. He may also raise two ancillary issues. One is a Senate bill that identifies Latvia as an offshore tax haven. We have tried to encourage the Latvians to work with the legislative branch on this issue, but they continue to believe that the executive can change it. Zatlers is also likely to raise the future of the US-Baltic Enterprise Fund and the Latvian desire to see it transition to a legacy foundation that supports programs that promote market economies as was done in Poland and Hungary.

17. (C) We encourage Washington interlocutors to express appreciation for Latvia's continued international engagement in light of its economic crisis, and to note especially Zatlers' leadership on this point. We should avoid asking for new commitments that Latvia cannot afford but instead help them do what they can, and not ask them to do what they can't (ref e). We should stress the importance of making the tough budget cuts for Latvia's long-term economic future. We should remind the Latvians that in helping Georgia, Moldova, and Ukraine, they have extensive human capital; people who helped Latvia make the transition from Soviet republic to NATO and EU member, who can help these countries with practical advice. Ideally, we could offer to integrate more Latvian experts into our programs in these countries. We also recommend that US officials push Zatlers on the need to address remaining Jewish communal properties. While Latvia has an overall good record on this issue, the restitution of a remaining number of properties has been slowed by a combination of politics, economics and even some anti-Semitism. Finally, we should remind Zatlers that he needs to be vigilant that the economic crisis does not lead to increase in corruption or greater problems between ethnic groups. Zatlers record on both issues has been generally positive (better on corruption than integration) and hearing it in Washington will reinforce his instincts to continue to push these issues.

ROGERS